

HOUSE BILL REPORT

SB 5315

As Reported by House Committee On: Ways & Means

Title: An act relating to extending the survivor annuity option for preretirement death in plan 1 of the public employees' retirement system to members who die after leaving active service.

Brief Description: Extending the survivor annuity option for preretirement death in plan 1 of the public employees' retirement system to members who die after leaving active service.

Sponsors: Senators Schoesler, Hobbs, Holmquist, Honeyford and Fraser; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Ways & Means: 3/24/09, 3/25/09 [DP].

Brief Summary of Bill

- Provides the survivors of members of the Public Employees' Retirement System Plan 1 (PERS 1) that die after having left service, but have not started retirement benefits, the option of receiving a survivor annuity, instead of a withdrawal of the member's accumulated contributions.
- The deceased inactive member must have completed at least 10 years of service at the time of death to provide the survivor annuity option to the surviving beneficiary.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

Staff: David Pringle (786-7310)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Public Employees' Retirement System Plan 1 (PERS 1) provides retirement, disability, and death benefits to state and local government general service employees that were first employed before the closure of the plan in 1977.

Benefits paid to the survivors of PERS 1 members differ depending on whether the member was active (still employed in a PERS position) or inactive at the time of death. A member of PERS 1 that has already started retirement benefits chose the type of survivor benefits that will be incorporated into the retirement allowance upon filing for retirement.

A member that is inactive, but either is eligible or will eventually be eligible for a retirement benefit upon reaching a sufficient age, is generally referred to as a "terminated vested" member of the retirement plan. There are currently about 2,675 terminated vested members of PERS 1.

If a member with at least 10 years of service dies while active, the member's designated beneficiary or surviving spouse is entitled to a choice between a refund of the member's accumulated member contributions plus interest or a survivor annuity. If an inactive terminated vested member dies, the only benefit available is a return of accumulated member contributions plus interest.

Summary of Bill:

The survivor of a member of PERS 1 that dies after leaving service, but prior to the starting retirement benefits and choosing survivor options, has the choice of receiving a survivor annuity, instead of receiving the benefit of a withdrawal of the member's accumulated contributions.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Department of Retirement Systems requested this change several years ago, and would once again ask for this change to be made. We appreciate the support of the Select Committee on Pension Policy. It addresses an unfortunate situation where the member is eligible for a benefit and passes away, and their survivor has no option but to take a withdrawal of contributions.

(Opposed) None.

Persons Testifying: Jeff Wickman, Department of Retirement Systems.

Persons Signed In To Testify But Not Testifying: None.